

FISCAL NOTE

SB 1861 - HB 1651

April 4, 2005

SUMMARY OF BILL: Enacts the *True Cost Equity Funding for Instructional Salaries Act*, which provides that:

- beginning with FY05-06, the BEP instructional staff salary component is to be based on the previous year's southeastern average instructional salary. The salary for FY05-06 shall be \$42,234 and shall be updated each year thereafter.
- beginning with FY05-06, the instructional salaries for professional positions shall be established as a separate section of the BEP. The state shall provide 70% of the funds generated by the BEP formula for this component. Every local government shall appropriate sufficient funds to fund the local share of this instructional salary provision and all other sections of the BEP as stipulated by present law.
- true cost equity funding shall be totally funded by new or additional state revenue. It is the goal to fund the true cost of instructional salaries through the BEP for all school systems. All new or additional state funds appropriated pursuant to this bill shall be used for instructional personnel salary increases or increased employer payment of medical insurance premiums by the LEAs which, in the previous year, had an instructional staff average salary lower than the southeastern average instructional staff salary used in the BEP instructional salary component. LEAs that had an average instructional staff salary greater than or equal to the average used in the BEP instructional salary component may shift equity funding from the instructional salaries section to the classroom section including new or additional positions.
- LEAs would not be prohibited from using new or additional funds appropriated pursuant to this bill to increase instructional salaries for those LEAs that met the salary average. It shall be a violation for any LEA to use true cost equity funding to supplant total local current operating funds. An LEA would not be prohibited from supplementing salaries from its own local funds. Any board of education could increase the salaries, supplements, and wages of its employees at any time during the course of a school year based on a new or amended contract so long as the LEA does not exceed its budget as adopted or amended.
- each LEA is required to establish a salary schedule for all professional education personnel that includes an established base salary for the teacher contract year. Each LEA would submit to the Commissioner an annual report on the payment and expenditure of salary funds.
- at the close of the fiscal year, any unexpended balance of salary equity funds appropriated pursuant to this bill shall be carried forward into the subsequent fiscal year. Such funds shall be budgeted and expended for salary increase purposes by those LEAs that had an instructional staff average lower than the southeastern average used in the BEP instructional component.
- the reduction in salary of any member of an LEA's instructional staff from one year to the next is prohibited, during the implementation of the salary equity program. The local board of education would be authorized, with the

commissioner's permission, to make necessary readjustments in the salary of licensed personnel to place the salary in fair relation to the salaries of other licensed personnel in the same LEA with comparable tenure, responsibility, training, and experience. Any affected licensed personnel shall have the right to a hearing before the local board.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - Exceeds \$500,000,000

Increase Local Govt. Expenditures* - Exceeds \$715,000,000

Increase Local Govt. Revenues - Exceeds \$500,000,000

Estimate assumes:

- funds generated through the actual 2004-05 BEP model are compared with those that would have been generated through a model with instructional salaries funded at the \$42,234 level for all districts and an aggregate 70% state and 30% local funding rate.
- additional state expenditures are treated as revenues for LEAs and assumes LEAs must increase funding by the amount of the increase in BEP funding from both state and local sources.
- local school districts with average instructional salaries below the Southeastern average will be required to use all funds generated through this bill for instructional salary increases or employer premium payment increases.
- the bill does not account for current state funding of teacher salaries through extended contract, career ladder, or salary equity funding; however, it requires the maintenance of local salary supplements. Therefore, teacher salaries would be funded at a level that exceeds the Southeastern average.
- additional local funds for locally funded teachers are not included.

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director